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E.O. 12958: DECL: 08/15/2018
TAGS: [EINV](#) [ECON](#) [PGOV](#) [IZ](#)
SUBJECT: (U) KARBALA RECEIVES NATIONAL INVESTMENT CHIEF

REF: A. BAGHDAD 2230
[1](#)B. BAGHDAD 2316

CLASSIFIED BY: ECONOMIC COUNSELOR TODD SCHWARTZ, FOR REASONS 1.4 (B) AND (D).

THIS IS A PRT KARBALA REPORTING CABLE

[1](#)1. (C) SUMMARY: NATIONAL INVESTMENT COMMISSION (NIC) CHAIRMAN DR. AHMED RIDHA MET WITH POLITICAL AND BUSINESS LEADERS IN KARBALA ON AUGUST 5. HIS PREPARED REMARKS CONCERNING THE IMPERATIVE OF BOOSTING INVESTMENT IN THE PROVINCE WERE DELIVERED WITH EVIDENT CONVICTION AND APPEARED TO BE WELL RECEIVED. HOWEVER, RIDHA'S ANSWERS TO QUESTIONS SUGGEST IRAQ'S SYSTEMIC ILLS WILL CONTINUE TO HOBBLE ECONOMIC GROWTH IN KARBALA. END SUMMARY.

FIFTY YEARS BEHIND

[1](#)2. (SBU) NIC CHAIRMAN DR. AHMED RIDHA ADDRESSED A SPECIAL SESSION OF THE KARBALA PROVINCIAL INVESTMENT COMMITTEE (PIC), A BODY COMPOSED OF POLITICAL AND ECONOMIC LEADERS, HELD AT THE KARBALA CHAMBER OF COMMERCE ON AUGUST 5. DURING A 30-MINUTE SPEECH, RIDHA STRESSED THAT FREE TRADE IS THE ENGINE THAT WILL DRIVE PROGRESS IN IRAQ. HE SPOKE PASSIONATELY OF THE NEED FOR BUSINESSES TO DRIVE THE LEGISLATIVE PROCESS, RATHER THAN THE REVERSE, EXCORIATED THOSE RESISTING THE SALE OF STATE-OWNED ENTERPRISES, AND SAID THAT ALTHOUGH IRAQ LAGS 50 YEARS BEHIND THE WEST ECONOMICALLY, IT CAN CATCH UP BECAUSE THE COUNTRY POSSESSES THREE KEYS TO SUCCESS: RESOURCES, INTELLIGENT AND HARD-WORKING PEOPLE, AND -- THANKS TO THE OVERTHROW OF SADDAM HUSAIN -- FREEDOM.

[1](#)3. (SBU) RIDHA CONTINUED THAT ATTRACTING NEW INVESTMENT TO KARBALA IS ESSENTIAL. HE EXTOLLED THE PROVINCE'S TOURISM POTENTIAL AND ENCOURAGED BUSINESS OWNERS TO TAP FOREIGN PARTNERS AS WELL AS EXPATRIATE IRAQIS AS POTENTIAL SOURCES OF CAPITAL. HE DECLARED "THE STATIST MINDSET IN IRAQ IS DEAD" AND PLEDGED THAT HE AND THE COUNCIL OF MINISTERS AIM TO FACILITATE BUSINESS DEVELOPMENT.

THE FLY IN THE OINTMENT

[1](#)4. (C) RIDHA'S REMARKS WERE WELL-RECEIVED, DRAWING OCCASIONAL INTERJECTIONS OF PRAISE AND AFFIRMATION FROM THE AUDIENCE, AS WELL AS GRINS FROM GOVERNOR AKEEL AL-KHAZALI AND SEVERAL OF KARBALA'S TOP EXECUTIVES. WHEN THE FLOOR WAS OPENED TO QUESTIONS, THE FIRST WAS A FLORID STATEMENT OF PRAISE FROM THE PIC CHAIRMAN, SEATED NEAR THE GOVERNOR AND RIDHA. THE MEMBERS OF KARBALA'S PRESS CORPS PRESENT POSED NO QUESTIONS.

[1](#)5. (C) THE AFTERGLOW WAS SHORT-LIVED, HOWEVER. A MAN WHO DESCRIBED HIMSELF AS THE OWNER OF A BRICK FACTORY AND A MARBLE QUARRY QUESTIONED RIDHA CONCERNING THE GOVERNMENT'S FAILURE TO PROVIDE ESSENTIAL SERVICES. HE DESCRIBED HOW BUREAUCRATIC RED TAPE PREVENTED HIM FROM ACQUIRING THE HEAVY FUEL OIL (HFO) HE NEEDS TO FIRE BRICKS AND HOW LACK OF ELECTRICITY IS KEEPING HIS QUARRY IDLE. MEANWHILE, HE THUNDERED, KARBALA IS AWASH IN BRICKS FROM IRAN AND MARBLE

FROM TURKEY (REF A). WHAT, HE ASKED, IS BAGHDAD DOING TO HELP?

IT'S UP TO YOU

¶6. (C) THE BLUNT QUESTION BURST THE BUBBLE OF CONVIVIALITY THAT HERETOFORE PREVAILED IN THE ROOM. THE GOVERNOR SCOWLED, SEVERAL OF THE BUSINESS LEADERS STROKED THEIR CHINS NERVOUSLY, BUT RIDHA TOOK IT ON WITH POLITE, IF DOUR, STEADFASTNESS. ROCHA COUNSELED PATIENCE, ACKNOWLEDGING THAT IRAQ'S INFRASTRUCTURE IS A MESS AND LIKELY TO REMAIN ONE FOR SOME TIME. HE COMPARED THE ELECTRICAL GRID TO A HIGHWAY LACKING EXITS AND SAID THAT CHAMBERS OF COMMERCE MUST LOBBY FOR THINGS, LIKE ACCESS TO HFO, THAT BUSINESSES NEED. HE DESCRIBED THE PROVINCIAL ELECTIONS AS A REFERENDUM, SAYING THAT KARBALA'S CURRENT INVESTORS SHOULD VOTE UNDERPERFORMING LEADERS OUT OF OFFICE, A REMARK THAT CAUSED ACTING PROVINCIAL COUNCIL CHAIRMAN ABD AL-AL AL-YASIRI TO BLANCH (HIS TENURE AS ACTING CHAIRMAN MAY END SOON; SEE REF B). RIDHA CAUTIONED HIS QUESTIONER NOT TO EXPECT NEW LAWS TO HELP INVESTORS IN SIMILAR PREDICAMENTS, AND SAID BUSINESS PEOPLE SHOULD BE PROACTIVE INSTEAD OF WAITING FOR THE GOVERNMENT TO HELP. "WE HAVE PLENTY OF LAWS , BUT WE LACK CITIZEN PRESSURE FOR THEIR ENFORCEMENT." HE ALSO POINTED OUT THAT PETROLEUM (INCLUDING FUEL OIL) AND BANKING ARE CONTROLLED BY THEIR OWN MINISTRIES AND SPECIFICALLY EXCLUDED FROM THE NIC'S MANDATE.

¶7. (C) DURING A SUBSEQUENT LUNCH HOSTED BY AKEEL, RIDHA ASKED THE PRT TEAM LEADER WHAT HE THOUGHT OF THE SPEECH. THE TEAM LEADER REPLIED THAT THE NIC CHAIRMAN HIT ALL THE RIGHT NOTES, BUT PROBLEMS LIKE THOSE MENTIONED BY THE QUESTIONER HIGHLIGHT HOW CURRENT INVESTORS IN KARBALA FEEL THEY HAVE BEEN

ABANDONED BY THE GOVERNMENT. THE TEAM LEADER ADDED THAT THE FIRST THING NEW INVESTORS WANT TO KNOW IS HOW CURRENT INVESTORS ARE BEING TREATED. RIDHA PONDERED THIS FOR A MOMENT AND SAID THE GENTLEMAN FACING DIFFICULTIES IN MAKING BRICKS AND QUARRYING MARBLE REALLY SHOULD LOOK TO THE MINISTRY OF INDUSTRY AND MINERALS FOR ASSISTANCE. HE ADMITTED HE HAD LITTLE INFLUENCE THERE AND ASKED THE TEAM LEADER IF THE PRT COULD WORK WITH THE EMBASSY TO PUT PRESSURE ON THE INDUSTRY MINISTRY.

COMMENT

¶8. (C) THE AIMS OF RIDHA AND OF KARBALA'S BUSINESS AND MOST OF ITS POLITICAL LEADERS MAY BE LAUDABLE, BUT SOME APPEAR UNABLE TO SEE THE GAP BETWEEN RHETORIC AND REALITY. CONNECTIONS, NOT LOBBYING, REMAIN THE PRIMARY WAY BUSINESSES GET WHAT THEY NEED HERE, PERPETUATING A DEBILITATING DEPENDENCE ON POLITICIANS. RIDHA'S LACK OF CONTACT WITH THE INDUSTRY MINISTRY UNDERSCORES THE HEART OF HIS QUESTIONER'S POINT: LACK OF COORDINATION IN THE GOVERNMENT'S APPROACH TO ATTRACTING NEW INVESTORS ON THE ONE HAND AND FAILURE TO TAKE CARE OF THOSE ALREADY ON THE GROUND ON THE OTHER IS HOBBLING ECONOMIC GROWTH IN KARBALA. END COMMENT.
CROCKER